Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9

COPY NO. 156

SECRET

# SIGNIFICANCE OF THE COUNCIL OF ECONOMIC MUTUAL ASSISTANCE

Document No.
NO CHANGE in Class. ☒
☐ DECLASSIFIED
Class. CHANGED TO: TS S C
DDA Memo, 4 Apr 77
Auth: DDA REG 77/1763
Date: _____ By: _____
VOID

ORE 50-49

Published 13 April 1949

This document has been approved for release through the HISTORICAL REVIEW PROGRAM of the Central Intelligence Agency.

Date 21 Jul 92

HRP 92-1

Document No. 001
NO CHANGE in Class. ☐
☒ DECLASSIFIED
Class. CHANGED TO: TS S C
DDA Memo, 4 Apr 77
Auth: DDA REG 77/1763
Date: 25/9/78 By: 021

CENTRAL INTELLIGENCE AGENCY

SECRET

Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9

Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9

WARNING

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U.S.C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9

Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9



## DISSEMINATION NOTICE

1. This copy of this publication is for the information and use of the recipient designated on the front cover and of individuals under the jurisdiction of the recipient's office who require the information for the performance of their official duties. Further dissemination elsewhere in the department to other offices which require the information for the performance of official duties may be authorized by the following:

*a.* Special Assistant to the Secretary of State for Research and Intelligence, for the Department of State

*b.* Director of Intelligence, GS, USA, for the Department of the Army

*c.* Chief, Naval Intelligence, for the Department of the Navy

*d.* Director of Intelligence, USAF, for the Department of the Air Force

*e.* Director of Security and Intelligence, AEC, for the Atomic Energy Commission

*f.* Deputy Director for Intelligence, Joint Staff, for the Joint Staff

*g.* Assistant Director for Collection and Dissemination, CIA, for any other Department or Agency

2. This copy may be either retained or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Collection and Dissemination, CIA.

**DISTRIBUTION:**
Office of the President
National Security Council
National Security Resources Board
Department of State
Office of Secretary of Defense
Department of the Army
Department of the Navy
Department of the Air Force
State-Army-Navy-Air Force Coordinating Committee
Joint Chiefs of Staff
Atomic Energy Commission
Research and Development Board



Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9

Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9



# SIGNIFICANCE OF THE COUNCIL OF ECONOMIC MUTUAL ASSISTANCE

## SUMMARY

The formation of the Council of Economic Mutual Assistance (CEMA) represents a further step toward the ultimate integration of the satellite economies by the Soviet Union. Under a facade of "equality" between the members, necessitated by the strong nationalism of the individual Eastern European countries, the Kremlin will utilize the Council to coordinate economic plans for the entire Orbit to conform to the requirements of the Soviet Union. Future industrialization in the satellites will undoubtedly no longer be based on national lines, but on considerations of Soviet strategy and location of natural resources. As satellite economies become increasingly specialized, individual economic dependence on the Soviet Union will tend to increase, economic boundaries will become blurred, and the ability of any satellite to free itself from the Kremlin influence will diminish still further.

Supplementing its goal of coordinating orbit-wide industrial planning through the Council, the Kremlin will probably use the organization to establish closer supervision over orbit trade by means of a "ruble clearing system." Meanwhile Communist propaganda, in order to counter the growing economic stabilization of Western Europe and to placate satellite nationalism, will portray the Council to the satellite peoples as an organization to provide a means of raising their low standard of living through "mutual cooperation."

The Council is likely to constitute an increasingly useful instrument for the extension and coordination of Soviet economic control over the satellite nations.

---

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. It is based on information available to CIA as of 28 March 1949.



Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9

Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9



# SIGNIFICANCE OF THE COUNCIL OF ECONOMIC MUTUAL ASSISTANCE

## 1. Composition and Aims.

On 25 January 1949 Moscow announced the formation of the Council of Economic Mutual Assistance. Original members were the USSR, Poland, Czechoslovakia, Rumania, Hungary, and Bulgaria, with Albania admitted later. Its announced aims are: (1) the exchange of experience in the economic field; (2) the rendering of mutual technical assistance; and (3) the rendering of reciprocal assistance in regard to raw materials, foodstuffs, machinery, and equipment. It will meet periodically, in the capitals of the signatory countries, in turn, under the chairmanship of the representative of the host nation. According to the public announcement the Council will make its decisions only with the consent of the country concerned. Membership is open to other European countries which subscribe to the principles of the organization, and have the desire to participate in broad economic cooperation with the member nations.

According to a reported secret protocol of the agreement forming the CEMA, it will act to supervise the consolidation and development of the industries and natural resources in the member countries so that they will no longer be competitive. Member countries are required to submit to the Council detailed monthly reports on their economies. By 1950 all economic planning in the Orbit is to come under the direct supervision of the Council. A permanent Secretariat General will be located in Moscow to serve as the Executive Body. This Secretariat, under strict Kremlin direction, will assume complete authority over all CEMA activities. Furthermore, the decisions of the Council are, according to the same report, to be binding on the individual members, and the organization has the right to send inspectors to ascertain compliance with its directives.

## 2. Need for Soviet Economic Action in Eastern Europe.

The formation of the CEMA represents a further move toward implementing Soviet long-range plans for the complete economic integration of Eastern Europe. The growing stability of Western Europe under the Marshall Plan and the concurrent difficulties of the satellite economies have forced the Kremlin to take action to preserve the important segment of Soviet economic potential represented by the Satellites. The USSR, in 1947, prevented its puppets from joining the European Recovery Program but had little economic aid to offer as a substitute. Furthermore, the USSR was probably none too anxious to see rapid postwar economic stabilization in Eastern Europe until Soviet control over the region had been assured. As a result, with their economies wrecked by the war and further depleted by Soviet exploitation, the countries of Eastern Europe have, from the Moscow viewpoint, reached a point of diminishing economic returns. Now, with effective opposition submerged or destroyed, the



Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9

Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9



USSR can attempt to revitalize the economy of the region to serve its own ends, and in its own fashion. In the early stages of this program, the CEMA can serve a useful purpose.

Many of the announced provisions of the plan have already been implemented, to some extent, through the system of bilateral agreements previously entered into by the various governments of the Soviet orbit. Under these agreements provision has already been made for the extensive exchange of technical and economic assistance and of raw materials, foodstuffs, machinery, and equipment. In addition, the Kremlin exercises extensive control over satellite economies by such means as direction of trade policies, economic planning, and joint ownership of enterprises. The New Council, however, will probably serve better to integrate the economic effort of the area, and to insure that the exchanges more effectively contribute to long-range Moscow plans. Moreover, under the facade of "mutuality" and "equality," the future intensification of this process can be accomplished and Soviet plans can be better concealed.

3. ADVANTAGES OF COORDINATED ORBIT INDUSTRIALIZATION.

Because of the nationalism prevalent in Eastern Europe, effective industrial coordination has been absent, even under the postwar puppet Communist regimes. By subordinating the individual satellite economies to Soviet direction, and by assuming a more dominant role in making future plans, the Kremlin, acting through the medium of the Council, will eventually bring about more effective industrial coordination and thus increase the Eastern European economic potential. With the current shortage of industrial goods and skilled technicians in the Soviet orbit, coupled with the announced Soviet determination to raise its economic potential beyond that of the West in the shortest possible time, the desire for rationally planned industrialization is understandable.

Moreover, the Soviet goal of orbit-wide industrial specialization will serve the further purpose of rendering the individual satellites more economically dependent on the USSR. Since plans for industrialization will be based primarily on considerations of Soviet strategy and location of natural resources, instead of on national self-sufficiency, the individual satellites will lose all semblance of economic independence.

4. THE COUNCIL AS AN INSTRUMENT FOR ESTABLISHING A "RUBLE CLEARING SYSTEM."

Formation of the CEMA could facilitate the USSR's establishment of a "ruble clearing system," centrally controlling the foreign trade of the entire Soviet orbit. Through its domination of the Council, the Kremlin would exercise this control without needlessly intensifying the nationalistic resentment already existent throughout the satellites. Such a system would be designed to: (1) establish a common pool of foreign exchange and gold reserves permitting more efficient utilization of such assets under Soviet direction; (2) provide for an improved accounting of balance of payments among the orbit countries; (3) permit more effective Kremlin control over the orbit's foreign trade; and (4) enhance the prestige of the ruble by substituting it for the dollar as a unit of accounting in the intra-satellite trade agreements. Evi-



Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9

Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9



dence of this last trend is already available in the 1949 Soviet trade agreements with Poland and Rumania.

On the other hand, in spite of persistent rumors, it is considered improbable that the USSR will attempt, in the immediate future, to use the Council as a vehicle for the creation of an internationally acceptable ruble. It is extremely doubtful that the Kremlin will permit the exposure of the ruble to the pressures and manipulations of the international market, in view of the constant Soviet desire to maintain absolute control over all phases of Soviet foreign trade.

5. THE COUNCIL AS A PROP TO THE EAST GERMAN ECONOMY.

Recent developments point to the possible future participation of the Soviet Zone of Germany as a member of the Council. In order to counterbalance the effects of the Western blockade and the relative improvement of economic conditions in the Western zones, the Kremlin must bolster the sagging economy of eastern Germany. Because of the general poverty of its economy and its economic commitments, the USSR cannot provide effective economic assistance to this key area without substantial contributions from neighboring Czechoslovakia and Poland, whose populations, even among the Communists, still retain an inherent fear and distrust of the Germans. The inclusion of eastern Germany in the Council would help to overcome this hostility, and would afford the Soviets increased opportunity to aid the ailing German economy.

6. THE COUNCIL'S PROPAGANDA VALUE.

Finally, while the material benefits to the USSR derived from the formation of CEMA will not be apparent until its coordinating and planning functions take effect, the organization provides the Kremlin with a potent propaganda weapon. Soviet spokesmen are contending that the Council will afford higher living standards to the satellite peoples. They depict the Council as the "democratic" reply to the "imperialist" ERP.

7. EVALUATION OF THE COUNCIL'S ROLE.

As an instrument for tightening and coordinating the Kremlin's economic control over its Eastern European empire, the Council is likely to prove generally successful, and its importance and effectiveness may be expected to increase in the future. The Kremlin has in the Council an organization for more efficiently exploiting the economic possibilities of the Orbit for ultimate Soviet advantage. In order to obtain maximum benefits from the orbit economies, however, the USSR must provide certain raw materials and equipment which the satellites cannot obtain from other sources. With the USSR unable to obtain from the West the industrial equipment with which rapidly to expand its economic potential, it must utilize the highly important satellite facilities to the utmost. The USSR, moreover, has already attempted to obtain scarce materials from the West, through the satellites. For such operations the Council should prove of great value to the Soviet Union.



Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9

Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9

~~SECRET~~

U. S. GOVERNMENT PRINTING OFFICE
3648—STATE—1949

Declassified and Approved For Release 2013/08/19 : CIA-RDP78-01617A003500190004-9